
**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

***OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004***

Table of Contents

Finding Number	State Agency	CFDA Number	Page Number
03-1	Department of Community, Trade and Economic Development	14.239	I-3
03-2	Department of Community, Trade and Economic Development	93.568	I-5
03-3	Employment Security Department	17.225	I-6
03-4	Employment Security Department	17.225	I-7
03-5	Employment Security Department	17.255	I-8
03-6*	Interagency Committee for Outdoor Recreation	11.438	I-1
03-7	Department of Health	93.919	I-9
03-8	Department of Social and Health Services	93.778	I-10
03-9	Department of Social and Health Services	93.778	I-12
03-10	Department of Social and Health Services	93.778	I-14
03-11	Department of Social and Health Services	93.778	I-15
03-12	Department of Social and Health Services	93.778	I-18
03-13	Department of Social and Health Services	93.778	I-20
03-14	Department of Social and Health Services	93.778	I-21
03-15	Department of Social and Health Services	93.778	I-22
03-16	Department of Social and Health Services	93.778	I-23
03-17	Department of Social and Health Services	93.778	I-25
03-18	Department of Social and Health Services	84.126	I-26
03-19	Department of Social and Health Services	93.558	I-27
03-20	Department of Social and Health Services	93.575, 93.596, 93.558, 93.667	I-28

* Completion of corrective action plan was reflected in FY 03 Corrective Action Plan. Listed per requirement of Circular A-133 § ___.315 (b)(1).

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

***OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004***

Table of Contents (Continued)

Finding Number	State Agency	CFDA Number	Page Number
03-21	Department of Social and Health Services	93.778	I-30
03-22	Department of Social and Health Services	93.958	I-32
03-23	University of Washington	12.000, 93.279, 93.361	I-33
02-1	Department of Community, Trade and Economic Development	93.568	I-34
02-2	Department of Health	93.917	I-35
02-4	Employment Security Department	17.207, 17.225, 17.258, 17.260	I-36
02-5	Military Department	12.401	I-37
02-6	Department of Social and Health Services	84.126	I-38
02-8	Department of Social and Health Services	93.575, 93.596	I-39
02-9	Department of Social and Health Services	93.558	I-40
02-11	Department of Social and Health Services	93.778	I-41
01-4	Employment Security Department	17.002, 17.207, 17.225, 17.245, 17.255, 17.257	I-43
01-12	Department of Social and Health Services	93.778	I-44
01-13	Department of Social and Health Services	93.778	I-45
01-16	Department of Social and Health Services	84.126	I-46
01-17	Department of Social and Health Services	93.563, 93.778	I-47
00-6	Employment Security Department	17.207, 17.225, 93.558	I-48
00-12	Department of Social and Health Services	93.563, 93.778	I-49

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

***OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004***

Department of Community, Trade and Economic Development (CTED)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	1	<p>Finding: The Department of Community, Trade and Economic Development did not comply with federal requirements for time and effort reporting and suspension and debarment.</p> <p>Questioned Costs: <u>CFDA #</u> 14.239 <u>Amount</u> \$287,376</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: <u>Suspension and Debarment</u> The basis of the finding is that CTED did not collect required certification forms from all of its subrecipients and potential contractors. The auditors noted that CTED did consult the federal List of Excluded Parties before awarding any contracts. Subsequent to the audit finding, the federal rule was changed (November 2003) to no longer require a certification form. The current federal rule requires either language in the contract or consultation with the List of Excluded Parties.</p> <p>To satisfy rule requirements in existence in the audit year, the Administrative Services Division of CTED communicated the old suspension and debarment requirements to all CTED employees. Program managers were required to review their current practices, determine if compliant and, when necessary, correct any non-compliant issues.</p> <p>The Housing Division, HOME program, decided to require suspension and debarment certifications for all of its construction-related contractors.</p> <p>(Continued)</p>

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004**

Department of Community, Trade and Economic Development (CTED)

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
03	1 (Cont'd)	Corrective Action:	<p>The Housing Division, HOME program:</p> <ul style="list-style-type: none"> As of January 2004, required all future subrecipients and contractors receiving awards for HOME funds for construction projects to sign and submit the U.S Department of Housing and Urban Development (HUD) form 2992, <u>Certification Regarding Debarment and Suspension</u> before contracts would be executed. Obtained a completed HUD form 2992 certification from all of the current 2003 subrecipients and contractors using HOME funds for construction projects. This was completed by April 30, 2004. Updated the Housing Finance Unit (HFU) contract - General Terms and Conditions, Section 7.01 Certification Regarding Debarment, Suspension, or Ineligibility to include the requirement for subrecipients and contractors to sign and submit HUD form 2992. This was completed by January 31, 2004. To recognize the revised rules on suspension and debarment, including the phasing out of HUD form 2992, the Administrative Services Division, will issue a new Department policy on suspension and debarment by June 30, 2005. <p><u>Time and Effort Reporting</u> For compliance with the time and effort requirement for staff who work solely on one federal grant or activity, CTED is using a revised timesheet template to include a time and effort certification statement. All supervisors, or their designees, are required to review the timesheets and sign the certification semi-monthly. This was completed by December 31, 2004.</p> <p>Housing Division staff who charge their time to HOME and other activities are charging their time based on actual time spent on various projects. This has been in effect since March 2004.</p> <p>Completion Date: Estimated, June 30, 2005</p>

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

***OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004***

Department of Community, Trade and Economic Development (CTED)

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
03	2	<p>Finding: The Department of Community, Trade and Economic Development did not comply with federal requirements for time and effort reporting.</p> <p>Questioned Costs: <u>CFDA #</u> 93.568 <u>Amount</u> \$174,679</p> <p>Status: Corrective action complete</p> <p>Corrective Action: CTED is taking the following corrective actions to address the conditions noted in the Low Income Home Energy Assistance Program (LIHEAP) finding on time and effort requirements:</p> <ul style="list-style-type: none"> For staff who work solely on one federal program, CTED is using a revised the timesheet template that includes a time and effort certification statement. All supervisors, or their designees, are required to review the timesheets and sign the certification semi-monthly. This was completed by December 31, 2004. CTED staff who charge their time to LIHEAP and other activities now charge their time based on actual time spent on various projects. This was implemented by December 31, 2004. <p>Completion Date: December 31, 2004</p>	

State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004

Employment Security Department (ESD)

Fiscal Year	Finding Number	Finding and Corrective Action Plan			
03	3	Finding:	The Employment Security Department did not comply with federal requirements for payroll time and effort reporting for the Unemployment Insurance program.		
		Questioned Costs:	<u>CFDA #</u> 17.225	<u>Amount</u> \$58,600	
		Status:	Corrective action in progress		
		Corrective Action:	The six employees whose salaries were questioned in this audit finding have been counseled as to proper time reporting practices. The agency will continue to emphasize the importance of federal time reporting requirements to all staff. ESD will work with the U.S. Department of Labor on resolving these questioned costs.		
		Completion Date:	Estimated, June 2005		

State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004

Employment Security Department (ESD)

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
03	4	<p>Finding: The Employment Security Department paid unemployment insurance benefits to claimants who were not eligible and made payments to claimants during their first week of unemployment, which is prohibited by state law.</p> <p>Questioned Costs: <u>CFDA #</u> 17.225 <u>Amount</u> \$767,677</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: ESD:</p> <ol style="list-style-type: none"> 1. Has implemented a cross-match of unemployment insurance (UI) benefit claimants against the Social Security Administration to identify invalid social security numbers, including those of deceased persons. 2. Has established accounts receivable on overpayments and initiated collection action as appropriate. 3. Will continue to conduct work search monitoring for all claimants to ensure their availability and continued eligibility for UI benefits. 4. Will continue to work with the Department of Labor and Industries to identify and prevent individuals from receiving UI payments while receiving time loss payments. 5. Will continue to devote investigative resources to the areas determined to be most cost-beneficial. 6. Will revise internal systems to prevent payments to claimants for which they are not entitled. <p>ESD will continue to work with the U.S. Department of Labor to resolve this finding.</p> <p>Completion Date: Estimated, June 2005</p>	

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

***OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004***

Employment Security Department (ESD)

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
03	5	<p>Finding: **The Employment Security Department did not comply with federal requirements for payroll time and effort reporting for the Workforce Investment Act program.</p> <p>Questioned Costs: <u>CFDA #</u> 17.255** <u>Amount</u> \$27,517</p> <p>Status: Corrective action in progress.</p> <p>Corrective Action: The two agency staff whose salaries were questioned in this audit finding have been counseled as to proper time reporting practices as a result of an audit finding in state fiscal year 2002. Time charges for both employees were included in testing of this program by the State Auditor's Office for state fiscal year 2003. No exceptions were found. ESD will work with the U.S. Department of Labor on resolving the questioned costs.</p> <p>Completion Date: Estimated, June 2005</p>	

** This finding relates to a compliance issue that occurred in state fiscal year 2001. CFDA 17.255 was the applicable catalog number at that time.

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

***OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004***

Department of Health (DOH)

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
03	7	<p>Finding: The Department of Health does not adequately monitor its subrecipients for the Breast and Cervical Cancer program (WBCHP).</p> <p>Questioned Costs: <u>CFDA #</u> 93.919 <u>Amount</u> \$0</p> <p>Status: Corrective action complete</p> <p>Corrective Action: In response to the finding, WBCHP expanded its financial monitoring program to include site visits to subrecipients. On August 4, 2004, the first site visit, of an eventual eight for calendar year 2004, was conducted.</p> <p>Initially, WBCHP agreed to participate in the Department of Health Consolidated Contracts Multi Program Monitoring program, however, the Program reversed that decision and has opted to self manage its subrecipient monitoring program for calendar year 2005. As part of the revised program, WBCHP has developed a financial monitoring checklist to be used during site visits to ensure completeness and comparability.</p> <p>All community-based subrecipients and local health jurisdictions must submit electronic documentation for clinical costs, monthly. All have their financial documentation reviewed. Prime contractors for the WBCHP program are on cycle to have financial documentation reviewed on site</p> <p>Completion Date: August 31, 2004</p>	

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004**

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	8	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration (MAA), received federal Medicaid funds for unallowable services provided to undocumented aliens.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778 <u>Amount</u> \$671,210</p> <p>Status: Corrective action in progress.</p> <p>Corrective Action: Recommendation: <u>Develop internal controls that would require employees to verify applicant's social security numbers and heed alerts sent by the Social Security Administration pertaining to invalid social security numbers (SSNs).</u></p> <p>DSHS does not agree with this recommendation. There are legitimate reasons why State employees may be unable to obtain the correct SSN as in the case of undocumented aliens. No action taken.</p> <p>Recommendation: <u>Develop clear policy and procedure manuals.</u> DSHS does not agree with this recommendation. DSHS staff should follow the current policy and procedure manuals. No action taken.</p> <p>Recommendation: <u>Establish internal controls that ensure staff make consistent referrals to medical consultants for diagnoses that are not listed in the eligibility manual and ensure that consultants respond promptly.</u> DSHS does not concur with this audit condition. No action taken.</p> <p>Recommendation: <u>Develop an accounting system that would differentiate emergency from non-emergency procedures so that the appropriate funds could be used to pay for the designated services.</u> MAA will look for opportunities to incorporate this recommendation into the 2005/2007 Chart of Accounts and the Medical Management Information System (MMIS) procurement, as appropriate. MAA has put in place a transitional Alien Emergency Medical policy and formed work groups to recommend a permanent policy.</p> <p>(Continued)</p>

State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	8 (Cont'd)	<p>Corrective Action:</p> <p>Recommendation: <u>Work with the U.S. Department of Health and Human Services to determine if any unallowable costs charged to Medicaid must be returned.</u></p> <p>DSHS does not concur with the questioned costs of \$671,210. Nursing homes and Community Options Program Entry System (COPES) clients, by nature of their functional assessment, meet medical condition criteria as outlined on page F-34 of the FY 03 Single Audit. Disposition of questioned costs is pending the Centers for Medicare & Medicaid Services (CMS) review and decision.</p> <p>Recommendation: <u>Work with the U.S. Department of Health and Human Services to determine if any unallowable costs charged to Medicaid must be returned.</u></p> <p>DSHS does not concur with the questioned costs of \$671,210. Nursing homes and Community Options Program Entry System (COPES) clients, by nature of their functional assessment, meet medical condition criteria as outlined on page F-34 of the FY 03 Single Audit. Disposition of questioned costs is pending the Centers for Medicare & Medicaid Services (CMS) review and decision.</p> <p>Completion Date: Estimated, July 2005</p>

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004**

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	9	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration (MAA), has not established sufficient internal controls to ensure that Medicaid payments are made only to persons with valid social security numbers (SSNs) and are not made on behalf of deceased individuals or persons using the social security numbers of deceased individuals.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778 <u>Amount</u> \$10,232</p> <p>Status: Corrective action in complete</p> <p>Corrective Action: DSHS (MAA) partially concurs with this finding, however there are many valid reasons why states may be unable to obtain or verify the correct SSN. These situations or reasons are outlined on page F-40 of the FY 03 Single Audit. Therefore, depending on the type of assistance or the need to expedite benefits, verification of SSNs is not an eligibility factor for assistance programs.</p> <p>With regard to improving current structure and internal controls, the Department is taking several steps to improve the accuracy of SSNs for both living and deceased individuals:</p> <ol style="list-style-type: none"> 1. The Automated Client Eligibility System (ACES) has convened a work group to review options to improve accuracy. This would include further automating how the State queries Social Security Administration (SSA) systems. 2. DSHS is modifying the ACES interface with federal databases to improve checking the validity of SSNs. The work group made recommendations for automating the system. DSHS is conducting a review of current procedures with regard to control checks on SSNs for validity with the intent to identify areas that could be strengthened. 3. Based on the above reviews, the Department provided additional training to involved agency personnel on how to improve accuracy of SSNs. This training was completed February 2005. <p>When the SSN is entered into ACES, it is verified in the interface. The ACES-Federal interface was modified February 4, 2005 to use State Data Exchange/Wire Third Party Query (WTPY) for SSN verification on a nightly basis.</p> <p>(Continued)</p>

State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
03	9 (Cont'd)	Corrective Action:	<p>The recommendation to resolve the interface problems between ACES and the Medical Management Information System (MMIS) has already been addressed. The Department modified the interface in July 2003.</p> <p>The Department has reviewed the transactions tested by the State Auditors Office and concurs with the questioned costs identified in the amount of \$10,232. The Department repaid \$10,232 of questioned costs on the CMS-64 report for the March 31, 2005 quarter.</p>
		Completion Date:	March 31, 2005

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

***OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004***

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	10	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration (MAA), did not provide the State Auditor's Office reliable records needed for audit in a timely manner.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778 <u>Amount</u> \$5,138,687</p> <p>Status: Corrective action complete</p> <p>Corrective Action: <u>Develop and follow monitoring procedures that would enable DSHS to supervise the performance of its Medical Management Information System (MMIS) vendor with more scrutiny.</u></p> <p>DSHS has modified the contract management plan with the MMIS vendor Affiliated Computer Services to strengthen the quality assurance requirements regarding reporting and data analysis activities.</p> <p>MAA has implemented new processes for the review and retention of datasets requested by entities outside of DSHS and is implementing a set of protocols that will govern the internal review of data prior to distribution. MAA's, Information Services Division has implemented the protocols.</p> <p>The Information Services Division has received a copy of Affiliated Computer Services' data file and completed validation of the data. Disposition of questioned costs is pending the Centers for Medicare & Medicaid Services (CMS) review and decision.</p> <p>Completion Date: February 27, 2004</p>

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004**

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	11	<p>Finding: The Department of Social and Health Services (DSHS), Medical Assistance Administration (MAA), has not established sufficient internal controls to ensure financial reports submitted to the federal government comply with Medicaid provisions.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778 <u>Amount</u> \$0</p> <p>Status: Corrective action in progress.</p> <p>Corrective Action: DSHS partially concurs with the finding and has structured its corrective action by the conditions noted by the auditor:</p> <p>Condition 1: <u>DSHS is not reporting disbursements for alien emergency medical (AEM) services.</u></p> <ul style="list-style-type: none"> The Department agrees that undocumented AEM services should be categorized separate from documented AEM services on the claim; however, the Department is unable to take corrective action at this time. The Automated Client Eligibility System (ACES) and Medical Management Information System (MMIS) do not currently have the capability of capturing undocumented aliens separately from documented aliens and U.S. citizens. Additionally, the MMIS does not currently have the capability of determining which services were performed as part of an emergent situation and/or any follow-up as required under the decision from <u>Gutierrez v. DSHS</u>, Yakima Superior No. 032017662 (2003). <p>(Continued)</p>

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004**

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	11 (Cont'd)	<p>Corrective Action:</p> <p>Condition 2: <u>DSHS is underreporting disbursements in some categories.</u> The Department partially concurs with this condition of the finding. However, the Department is not underreporting expenditures in aggregate. Because of a current situation with the Medical Management Information System (MMIS), there are expenditures included on Line 29, "Other Care Services," that should be reported in other categories on the claim. All reported expenditures are eligible for Title XIX clients. There are also instances where MMIS may not recognize the service code of a disbursement. These disbursements presently are assigned a misleading title of "suspense." These are not suspense items, but are legitimate Title XIX disbursements and are reported as such on the CMS 64 report. This condition was identified by MAA prior to the audit and DSHS personnel are actively working on a solution.</p> <p>Condition 3: <u>The Department does not have sufficient internal controls over preparation of the CMS-64.</u></p> <ul style="list-style-type: none"> • The Department does not agree with the statement "...provides for no monitoring..." nor does it concur with this condition of the finding. CMS has a full time fiscal auditor assigned to the State of Washington who is on-site for several weeks during the preparation of the claim, requesting justification and explanation for specific expenditures. The auditor approves the claim for submission prior to DSHS certifying the claim. • Additionally, the entire claim preparation is in itself a reconciliation of Title XIX expenditures. A one-page summary of the reconciliation activity is now prepared prior to the claim certification, previously, the summary was prepared after certification. <p>Condition 4: <u>The Department must establish timely and consistent communications between the Medical Assistance Administration (MAA) and the Office of Accounting Services (OAS).</u> There is now better coordination between staffs in the OAS and MAA. Additionally, MAA staff have implemented better tracking and monitoring mechanisms to ensure timely correction of error situations.</p> <p>(Continued)</p>

State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
03	11 (Cont'd)	Corrective Action:	Condition 5: <u>The Department must ensure that the coding in the MMIS is accurate.</u> <ul style="list-style-type: none">• MAA has hired a full time fiscal analyst who has been identifying issues with the MMIS coding and developing appropriate corrections.• MAA has also initiated a process for selection of a new MMIS system that will better meet the challenges of adequate monitoring of expenditures, identification of problematic areas and upkeep of coding.
		Completion Date:	Estimated, December 2005.

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004**

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	12	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration (MAA), has not established sufficient internal controls to ensure the eligibility of families enrolled in the Medicaid Basic Health Plus program.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778 <u>Amount</u> \$8,559</p> <p>Status: Corrective action in progress. Waiting for Center for Medicare and Medicaid Services (CMS) responses on questioned costs and requested clarification on Condition 1.</p> <p>Corrective Action: The audit finding was divided into three conditional areas:</p> <p>Condition 1: For self-employed households, income information is not corroborated with an independent source such as tax returns from the state's Department of Revenue or the Internal Revenue Service. Although the Department requires receipts for expenses, for self-employed clients the Department continues to accept a self-declaration of income. The department has contacted CMS for guidance on this issue.</p> <p>Condition 2: <u>Although income changes must be reported immediately, the Department could not provide evidence of procedures that ensures that this is occurring in a consistent manner.</u></p> <ul style="list-style-type: none"> • The Medical Eligibility Determination Section (MEDS) has established and emphasized policies for corroborating client income as outlined in the "Eligibility A-Z" manual. • MEDS works with Basic Health (BH) during the certification period and continues to follow the "BH/MAA Policy and Procedure" manual. • There is no requirement to verify income unless the income level is questionable. There are several ways to verify income levels when that becomes necessary. <p>(Continued)</p>

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004**

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	12 (Cont'd)	<p>Corrective Action:</p> <p>Condition 3: <u>Eligibility review quotas have not been achieved.</u> The Department does concur that case auditing for BH Plus was not in compliance with internal corrective action plan governing adequate resources. It is important to note that this condition relates to case auditing by MEDS lead workers and supervisors. The audit plan was developed without advance knowledge that Department policies would change and before staff cutbacks forced lead workers to carry caseloads in addition to training new staff.</p> <p>Given the current circumstances, the audit plan has been updated to ensure compliance with the internal corrective action plan. Updates include:</p> <ul style="list-style-type: none"> • Realignment of caseloads to allow time for lead and supervisory employees to audit, • An additional requirement that leads and supervisors establish timelines for performance of audits and monitoring their teams' weekly progress, • Establishment of new audit requirement criteria. Cases to audit are selected at random for seasoned employees or 100% review for new employees. • Requirement for monthly submission of copies of completed audit forms to management. <p>Disposition of questioned costs is pending the Centers for Medicare & Medicaid Services (CMS) review and decision.</p> <p>Completion Date: Estimated, June 2005</p>

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004**

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	13	<p>Finding: The Department of Social and Health Services, Aging and Disability Services Administration (ADSA) and Medical Assistance Administration (MAA), have not set up an effective system of communication that would ensure that Medicaid payments are not being made to nursing homes that are not in compliance with the federally mandated health and safety standards.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778 <u>Amount</u> \$0</p> <p>Status: No corrective action required</p> <p>Corrective Action: The Department concurs it needed to strengthen controls over this process, but disagrees with the auditor's recommendations. The recently installed notification process involving the federal Centers for Medicare and Medicaid Services (CMS) has solved the problem. The current process is as follows:</p> <ul style="list-style-type: none"> • ADSA recommends the need for an enforcement action to CMS. • CMS takes the enforcement action. • CMS communicates directly with MAA regarding dates of denial of payment. <p>Any further notification by ADSA to MAA would be duplicative and only add confusion.</p> <p>Last year only 14 of 114 facilities did not come into compliance prior to CMS implementing a denial of payment remedy. If ADSA were to have followed the auditor's recommendation, it would have communicated 100 unnecessary notices to MAA.</p> <p>Completion Date: N/A</p>

State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	14	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration (MAA), is not complying with subrecipient monitoring requirements for the Medicaid Program.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778 <u>Amount</u> \$0</p> <p>Status: Corrective action in progress.</p> <p>Corrective Action: Currently, MAA ensures compliance with the subrecipient monitoring requirements by:</p> <ul style="list-style-type: none"> • Including appropriate compliance requirements in the language of the subagreement award. • Providing subrecipients with program information (including federally required information) in the subagreement award. • Providing consultation services to officials of the subrecipient. • Reviewing monthly billings that have supporting documentation attached and reviewing program/progress reports that provide DSHS with status of the program along with current measurements. • Reviewing the subrecipient's annual audit report and following up with corrective action plan. <p>DSHS' Accounting Policy Management Board published DSHS Administrative Policy No. 13.14, <i>Identifying and Managing Federal Subrecipient Contracts and Agreements</i>. The Policy establishes organizational responsibility for activities necessary to identify and manage subrecipient awards and agreements (including subrecipient monitoring). MAA, like other organizational units of DSHS, are expected to monitor for compliance with requirements of Office of Management and Budget (OMB) Circular A-133. In addition, the units are to monitor to ensure that federal funded awards made by DSHS are used for authorized purposes in compliance with laws, regulations and the provisions of contracts and grant agreements. The Policy is effective April 15, 2005. The Accounting Policy Management Board is now developing procedures to assist operating units of DSHS in implementing the requirements of the Policy. The procedures are to be completed by August 2005.</p> <p>Completion Date: Estimated, August 2005</p>

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004**

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	15	<p>Finding: The Department of Social and Health Services, Aging and Disability Services Administration, cannot determine whether nursing home payment rates properly excluded unallowable expenditures related to supplemental Medicaid payments.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778 <u>Amount</u> \$0</p> <p>Status: Corrective action complete</p> <p>Corrective Action: The audit finding was divided into two conditional areas:</p> <p>Condition 1: <u>DSHS must follow its own audit procedures and ensure that supporting schedules detailing expenditures attributable to Proshare and other unallowable revenues are present in cost reports and that these expenditures are appropriately offset.</u> Participating facilities are being directed to report their expenditure of Proshare funds so that it can be confirmed that such expenditures are not included in the Medicaid rate-setting and settlement processes. Such reporting started in January 2004, and will continue until facilities no longer receive Proshare funds.</p> <p>Condition 2: <u>The Department should determine if nursing home rates should be recalculated to identify possible unallowable costs charged to Medicaid.</u> The Department disagrees that there is a risk that current nursing home rates are in any significant way inflated by inclusion of Proshare funded expenses in the rate setting process for Public Hospital District (PHD) nursing facilities. Refer to Department comments on page F-62 of the FY 03 Single Audit.</p> <p>The Department will continue to investigate the situation and will adjust rates downward and assess overpayments if found to be appropriate.</p> <p>Completion Date: December 31, 2004</p>

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004**

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	16	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration (MAA), has not established sufficient internal controls to ensure compliance with Medicaid provisions regarding licensing and other eligibility criteria for its health care providers.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778 <u>Amount</u> \$0</p> <p>Status: Corrective action complete</p> <p>Corrective Action: The audit finding was divided into five conditional areas:</p> <p>Condition 1: <u>The Department must establish and enforce a termination deadline for providers who have not re-enrolled. This would automatically eliminate those providers who are deceased and whose licenses have expired and whose affiliations are no longer valid.</u> DSHS has established and enforced a termination deadline for the provider re-enrollment project since December of 2003. This deadline enables MAA to terminate the providers that have not re-enrolled because they are deceased, have expired licenses, moved, or sold their practices.</p> <p>Condition 2: <u>The Department should update its Medical Management Information System (MMIS) with the monthly licensing data sent by the Department of Health (DOH).</u> MAA currently receives a list of excluded providers from the Health and Human Services' Office of Inspector General to terminate the providers' numbers monthly. DSHS began matching the DOH license database with the provider file database monthly as of January 2005. (Continued)</p>

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004**

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	16 (Cont'd)	<p>Corrective Action:</p> <p>Condition 3: <u>The Department must establish controls that would ensure that claims submitted by providers who have practice restrictions associated with their licenses are not reimbursed for services they are no longer licensed to perform.</u></p> <ul style="list-style-type: none"> • DSHS established a process in the provider enrollment unit that, if a provider has practice restrictions associated with his/her license, DSHS sends information to Quality Management Section to determine how or what type of limitation will be placed on the provider's file. Completed June 2004. • DSHS established a core provider agreement database that holds information about each core provider agreement to track its status and generate weekly reports that identify problems if claims are not paying correctly. Completed March 2004. <p>Condition 4: <u>The Department should send the letters of expiration generated by its MMIS to providers on a monthly basis when there is not an active license listed on the DOH website.</u> DSHS currently receives computer generated letters to send to providers whose licenses are going to expire during the next month. The Department then sends the letters to the providers after verifying with the DOH license website that the licenses have not been renewed. Completed March 2004.</p> <p>Condition 5: <u>The Department must provide the resources needed to enable the MAA to ensure the initial approval process is conducted as management intends.</u> As part of the plan to improve monitoring and oversight, the Department in March 2005, dedicated two additional FTEs to ensure procedures are followed.</p> <p>Completion Date: March 31, 2005</p>

**Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004**

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	17	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration has not established sufficient internal controls to ensure that capitation rates for its managed care providers are based on accurate fee-for-service encounter data.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778 <u>Amount</u> \$0</p> <p>Status: No corrective action required</p> <p>Corrective Action: The audit finding was divided into three conditional areas:</p> <p>Condition 1: <u>The Department must continue to develop its fraud detection, enforcement, and prevention procedures for fee-for-service provider claims expanding to all provider areas.</u></p> <ul style="list-style-type: none"> The Department does not concur with this finding. Fraud and Abuse policies and procedures are in place and compliant with the Centers for Medicare and Medicaid Services (CMS) guidelines for managed care. Current and future fee-for-service fraud and abuse is irrelevant to current and future managed care rate setting. <p>Condition 2: <u>The Department must develop formal procedures for referral to the Medicaid Fraud Control Unit or other enforcement action.</u> The Department does not concur with this finding. Refer to the second bullet above.</p> <p>Condition 3: <u>The Department must review the use of data used in setting capitation rates to ensure that rates are not affected by erroneous fee-for-service data.</u></p> <p>The Department does not concur with this finding. The auditor misunderstood the rate setting process and placed too much importance on fee-for-service and encounter data in current rate setting. The only fee-for-service data that has ever entered into rate setting is from 1993.</p> <p>Completion Date: N/A</p>

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004**

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	18	<p>Finding: The Department of Social and Health Services did not comply with federal time and effort reporting requirements for its Rehabilitation Services grant.</p> <p>Questioned Costs: <u>CFDA #</u> 84.126 <u>Amount</u> \$0</p> <p>Status: Corrective action complete</p> <p>Corrective Action: <u>DSHS issues departmental policy.</u> The Department Accounting Policy Management Board issued Fiscal Policy 50.01, Federal Compliance With Time Allocation/Certification, on July 1, 2004. The Policy mandates federal Office of Management and Budget (OMB) Circular A-87 standards for time and effort reporting effective the issuance date.</p> <p>The Division of Vocational Rehabilitation (DVR), which administers the Rehabilitation Services Grant, has implemented the requirements of that policy.</p> <p><u>Time and effort reporting for employees working full-time on the Rehabilitation Services grant.</u> Semi-annual certifications have been completed for all salaried and part-time employees beginning with the six-month period October 1, 2004 to March 31, 2005.</p> <p>DSHS received a program determination letter from Region X of the Rehabilitation Services Administration (RSA) that recognized the new DSHS policy and re-emphasized the need for meeting the A-87 standards for individuals working 100% on the RSA grant. The letter asked for any additional information on implementation of the six-month certification requirement. On February 25, 2005, DVR advised Region X of RSA that Fiscal Policy 50.01 had been amended to clarify supervisory positions eligible to complete certification of the time and effort reporting forms. For DVR that meant the Director of DVR would have to formally designate supervisors to perform the required certification. The new designation policy went into effect April 1, 2005.</p> <p>Completion Date: April 1, 2005</p>

State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	19	<p>Finding: The Department of Social and Health Services, Economic Services Administration, should improve compliance with eligibility requirements for the Temporary Assistance to Needy Families Program.</p> <p>Questioned Costs: <u>CFDA #</u> 93.558 <u>Amount</u> \$20,840</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: <u>Periodically compare information provided by recipients with applicable records maintained with other state agencies and investigate any discrepancies.</u> The Department developed a cross-match of Temporary Assistance for Needy Family (TANF) recipients without earnings in the Automated Client Eligibility System (ACES) to verify consistency with family earnings records maintained by the Employment Security Department. A discrepancy list is generated monthly based on TANF review end dates. Cases with significant discrepancies are referred to the DSHS regions for investigation and appropriate corrective action. Completed September 2004.</p> <p><u>Require employees to follow state regulations regarding Social Security numbers and investigate and resolve invalid numbers.</u> The Department has provided employees of the TANF program with access to the ACES training documents on using social security Alerts. Training documents are placed on the ACES web site. The Department sent a message via the Inside Economic Services Administration (IESA) network advising field employees of the availability of the training documents. The notification will be resent annually. Completed June 2004.</p> <p><u>Ensure its manual accurately reflects the applicable current Washington Administrative Codes.</u> The Eligibility A-Z Manual is being revised. Revision of the Citizenship and Alien Status chapter was completed, effective September 1, 2004.</p> <p>DSHS is waiting for federal instructions regarding the questioned costs.</p> <p>Completion Date: Estimated, July 2005</p>

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004**

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	20	<p>Finding: The Department of Social and Health Services, Division of Childcare and Early Learning (DCCCEL), does not have adequate internal controls over support for payments made to licensed family home providers and assurance that all recovered overpayments are credited to the proper funding source.</p> <p>Questioned Costs: <u>CFDA #</u> <u>Amount</u> 93.575, 93.596 \$0 93.558, 93.667</p> <p>Status: Corrective action complete</p> <p>Corrective Action: <u>Require all licensed family home childcare providers use a standard attendance record issued by the Department.</u> A standard attendance record was designed, approved and placed in operation effective October 4, 2004. English and Spanish versions were placed on DSHS' website that day. Licensed family home child care providers are allowed to use the DSHS developed form or a facsimile that provides the same information. Attendance records must be kept up-to-date and maintained in the licensed space of the family home child care for at least five years.</p> <p><u>Require family home child care providers to have the parent or custodian of each child sign the standard attendance record when the child arrives and departs from care, noting the arrival and departure times.</u></p> <ul style="list-style-type: none"> • April 2003, DCCCEL began revising the Family Home Child Care Washington Administrative Code (WAC) to require children to be signed in and out of child care. • May 2003, eighteen (18) forums were held to obtain input from licensed family child care providers. • June 2003, a forum was held to obtain input from child care licensors. • July 2003, a forum was held to obtain input from stakeholders. • September 2003, community partners and Department staff reviewed the first draft of the WAC. • December 2003, the second draft of the revised WAC was posted for public review and comment. <p>(Continued)</p>

State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	20 (Cont'd)	<p>Corrective Action:</p> <ul style="list-style-type: none"> February 2004, comments were reviewed and draft WAC was revised. June 2004, three public hearings were held. June 2004, second revised WAC proposed. WAC 388-296-0520, as amended, became effective October 1, 2004, includes mandatory requirements for signing a child in and out of child care facilities. <p><u>Ensure that all funds recouped are returned to their proper sources.</u> Funds recouped by Office of Financial Recovery (OFR) are allocated (through the cost allocation system) as reduction in expenditure for the funding sources where they originated. No further action is planned.</p> <p>Completion Date: October 29, 2004</p>

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004**

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	21	<p>Finding: The Department of Social and Health Services, Division of Developmental Disabilities (DDD), made inappropriate payments to a for-profit agency with which it has a contract to provide services to its clients.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778 <u>Amount</u> \$43,106</p> <p>Status: Corrective action complete.</p> <p>Corrective Action: <u>Monitor its contracts to ensure payments are proper.</u> DDD developed a spreadsheet feature in its cost report summary file that highlights any reported cost (from the agency's cost reports) that is over 20% of the average cost for all agencies. The purpose of this variance flag is to easily identify for follow up costs that are significantly outside the norm. Some of the costs that the subgrantee in question reported in 2000 and 2001 would have been highlighted in the spreadsheet as potentially unreasonable costs and subject to follow-up action.</p> <p>DDD offers and encourages subgrantee agencies to attend cost report training offered by the DDD Cost Reimbursement Unit. Agencies that attend the trainings make fewer mistakes and provide more reliable information. The Division has on some occasions used the Cost Reimbursement Analysts to do some field auditing independently or in conjunction with Program Evaluators or regional staff. The Division will be doing additional field audits in the coming year as time and resources permit. Completed March 2004.</p> <p>(Continued)</p>

State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	21 (Cont'd)	<p>Corrective Action: <u>Pursue recovery of the 2000 and 2001 costs from the applicable agency and determine whether similar costs were improperly reported in succeeding years.</u></p> <p>DDD worked with the subgrantee to revise the 2000 and 2001 cost reports to properly state allowable costs and determine subsequent payback amounts. The DDD Region 3 Administrator approved a partial offset (applying the non-staff loss provision of the subgrantee's contract) to the 2001 settlement. The final settlement amount reported to the Office of Financial Recovery (OFR) was \$59,634.68 (\$6,723.14 for 2000, and \$52,911.54 for 2001).</p> <p><u>Ensure costs recovered are returned to the appropriate funding sources.</u></p> <p>DDD coordinated with DSHS' Office of Accounting Services (OAS) and OFR to ensure that funds were recovered and returned to the appropriate funding source. \$43,106 was returned to the Medicaid grant CFDA #93.778 in August 2004.</p> <p>Completion Date: August 31, 2004.</p>

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

***OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004***

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	22	<p>Finding: The Department of Social and Health Services, Mental Health Division (MHD), did not properly monitor its contract with a non-profit agency whose funds were used for the personal expenses of a staff member.</p> <p>Questioned Costs: <u>CFDA #</u> 93.958 <u>Amount</u> \$165,000</p> <p>Status: Corrective action complete</p> <p>Corrective Action: <ol style="list-style-type: none"> 1. A MHD policy on contract monitoring has been drafted and is before the DSHS Director for final approval. 2. Most headquarters program staff have attended contracting training and are familiar with the provisions of the draft administrative policy and the requirements of contract monitoring. Completed, January 1, 2004. 3. MHD will review contract monitoring requirements, periodically, at staff meetings, which are held monthly. 4. Procedures have been established to require a comparison of billings to contract provisions. No payments are allowed prior to satisfaction of contract requirements. Completed, January 1, 2004. 5. Program Managers are now responsible for payment authorization, verification of reports and assurance that services have been received. Completed, January 1, 2004. 6. A letter was sent to the National Alliance for the Mentally Ill (NAMI) requesting verification of services in the questioned contract period. 7. Subsequently, MHD received from NAMI documentation that established the validity and allowability of services in the questioned contract period. A letter was sent to the NAMI on June 28, 2004, confirming that it was in compliance with all the requirements for receipt of Federal Block Grant funds; that the issue was completely resolved and no repayment would be sought. The contractor was invited to bid on a new contract advertised in July 2004. 8. Pursuant to a federal Substance Abuse and Mental Health Services Administration (SAMHSA) letter of determination (CIN A-10-05-79128) questioned costs in the amount of \$147,059.72 were returned to the federal government by warrant. Completed March 23, 2005. </p> <p>Completion Date: March 23, 2005</p>

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004**

University of Washington (UW)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
03	23	<p>Finding: The University of Washington did not comply with federal cost principles for its research and development programs.</p> <p>Questioned Costs: <u>CFDA #</u> 12.000, 93.279, 93.361 <u>Amount</u> \$35,977</p> <p>Status: Corrective action complete</p> <p>Corrective Action: <u>Parenting Clinic – Failure to allocate charges properly</u></p> <ol style="list-style-type: none"> 1. Train and provide guidance to research coordinator: <ol style="list-style-type: none"> a. Attend UW-sponsored training (completed February 2004). b. Meet regularly with department administration for guidance on grants management (completed September 2003). 2. Allocate costs accurately using new tracking system (completed September 2003). <p><u>Applied Physics Lab – Failure to document overtime properly resulting in overpayment</u></p> <ol style="list-style-type: none"> 1. Revise weekly time sheet forms to require daily detail of overtime hours worked (completed March 2004). 2. Recover salary overpayments from two employees (completed installment repayments June 2004) <p>Completion Date: June 30, 2004</p>

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004**

Department of Community, Trade and Economic Development (CTED)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
02	1	<p>Finding: The Department of Community, Trade and Economic Development did not prepare and submit required financial reports for the Low Income Home Energy Assistance program.</p> <p>Questioned Costs: <u>CFDA #</u> 93.568 <u>Amount</u> \$0</p> <p>Status: Corrective action complete</p> <p>Corrective Action: The required reports that CTED failed to submit were pursuant to a new requirement overlooked by agency staff. As soon as it was brought to their attention, staff immediately submitted the required financial reports (June 14 and 17, 2002).</p> <p>To preclude a similar mistake in the future, CTED implemented two new administrative procedures:</p> <p>A grant profile is prepared on each new federal award received. This profile, prepared by the Accounting Services Office of CTED, summarizes all important program and financial information elements of the award as well as all requirements. The profile becomes part of the award file. As of August 2003, the Accounting Office had completed a profile for every award being administered by the agency.</p> <p>For new federal awards, the Accounting Office prepares a federal award cover sheet. The cover sheet highlights program and administrative compliance requirements, including reporting requirements, included in the terms and conditions of an award document. The federal award cover sheet was implemented by September 2003 and is being currently maintained.</p> <p>Completion Date: September 30, 2003</p>

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004**

Department of Health (DOH)

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
02	2	<p>Finding: The Department of Health should improve monitoring of subrecipients and ensure compliance of vendors for the HIV Care Formula Grants program.</p> <p>Questioned Costs: <u>CFDA #</u> 93.917 <u>Amount</u> \$0</p> <p>Status: Corrective action complete</p> <p>Corrective Action: The DOH has made enhancements to its existing subrecipient monitoring program that improves the documentation of subrecipient and vendor compliance requirements. The DOH has also developed additional procedures to bolster review of both subrecipient and vendor fiscal and program performance:</p> <ul style="list-style-type: none"> • In 2003, the DOH initiated a coordinated Consolidated Contracts Multi Program Monitoring program. Under this program, each jurisdiction is scheduled for an on-site visit on a three-year cycle. In 2004, the DOH incorporated HIV care services in these multi-program site visits. Six of the agencies that contracted for the HIV Care Formula Grants Programs received on-site visits in calendar year 2004. • For all other (non-governmental) entities, the DOH is requiring documentation supporting all expenditures be submitted with each request for payment on the contract with the exception of the largest community based organization which will receive annual fiscal monitoring site visits. • The DOH is requiring that the vendor contracted to provide medical insurance for eligible clients under the Early Intervention Program comply with the provisions of the contract. This contract now requires the provider to submit: <ol style="list-style-type: none"> 1. A categorical budget. 2. A list of all employees whose salaries are charged to the program. 3. An accounting of travel costs. 4. A list of equipment purchased. • The DOH developed a control to address clients who report no income on the Early Intervention Program application. These clients are required to sign a statement explaining how they support themselves. <p>Completion Date: December 30, 2004</p>	

State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004

Employment Security Department (ESD)

Fiscal Year	Finding Number	Finding and Corrective Action Plan		
02	4	Finding:	The Employment Security Department did not comply with regulations for allocating payroll costs for four Department of Labor federal programs.	
		Questioned Costs:	<u>CFDA #</u>	<u>Amount</u>
			17.207	\$ 89,069
			17.225	32,080
			17.258	105,125
			17.260	<u>48,403</u>
			Total	\$274,677
		Status:	Corrective action complete	
		Corrective Action:	The ESD re-issued time reporting guidelines to all management to be followed by all employees. Several management briefings were conducted statewide to ensure there is good understanding of proper time reporting practices and their underlying principles. These questioned costs were considered resolved by the grantor on February 13, 2004, in the Grant Officer's Final Determination. In addition, the underlying time reporting issue has been resolved.	
		Completion Date:	June 30, 2004	

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004**

Military Department

Fiscal Year	Finding Number	Finding and Corrective Action Plan
02	5	<p>Finding: The State of Washington Military Department (WMD) did not comply with federal requirements for time and effort reporting, prevailing wages and suspension and debarment.</p> <p>Questioned Costs: <u>CFDA #</u> 12.401 <u>Amount</u> \$51,527</p> <p>Status: Corrective action complete</p> <p>Corrective Action: <u>Time and Effort Reporting</u> The one employee who generated the questionable cost is now completing monthly time sheets. The policy and procedure for time and effort reporting has been completed and placed into operation. Employees are completing semi-annual certifications per the approved policy and procedures.</p> <p><u>Payment of Prevailing Wage (Davis Bacon)</u> WMD reviewed the Davis Bacon requirements with the National Guard Bureau and found that the Davis Bacon act only applies to specific environmental clean up contracts in reference to the Master Cooperative Agreement. WMD is complying with all Davis Bacon requirements for these types of contracts. WMD is including the necessary requirements in contract terms and conditions that are processed directly by WMD (delegated). WMD is also working with the State Department of General Administration (GA) to ensure that similar provisions are included in the terms and conditions of contracts processed by GA (non-delegated). As was noted in the audit, contractors are using state prevailing wage rates that are comparable to, and in most cases higher than, federal prevailing rates.</p> <p><u>Suspension / Debarment</u> Contract language for both delegated and non-delegated contracts was changed to incorporate suspension and debarment language in the terms and conditions. A certificate has also been developed and provided to contractors so that they can file the necessary certification to WMD.</p> <p>Completion Date: March 31, 2004</p>

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004**

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
02	6	<p>Finding: The Department of Social and Health Services, Division of Vocational Rehabilitation, does not have adequate internal controls over the processing of expenditures for client services.</p> <p>Questioned Costs: <u>CFDA #</u> 84.126 <u>Amount</u> \$0</p> <p>Status: Corrective action complete</p> <p>Corrective Action: The Division of Vocational Rehabilitation has taken the following corrective actions:</p> <ul style="list-style-type: none"> Established internal controls for the separation of duties within the Service Tracking and Reporting System (STARS). STARS was updated to electronically ensure that separation of duties are maintained. Completed May 2003. In terms of warrants sent to the originating office, the Division strengthened the cash controls and provided training to ensure separation of duties for the handling of cash items. The Division implemented a "Separation of Duties" policy. Completed March 2004. The Division updated Supervisory Authorization for Purchase (AFP) review policy and established a STARS automated report to include exceptions for Supervisors and Chiefs to review. Completed March 2003. The Division updated its procedures manual to include provisions on when receipts or certifications are required with regard to purchasing customer travel (such as mileage, meals and lodging). Procedures include requirements on the AFP for proper documentation of what is being purchased. Completed July 2004. <p>Completion Date: July 30, 2004</p>

State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
02	8	Finding:	The Department of Social and Health Services, Economic Services Administration, does not perform adequate or timely reviews to ensure the allowability of child care payments made to clients and vendors from federal and state funds.						
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.575</td><td>\$809,919</td></tr><tr><td>93.596</td><td>\$424,000</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.575	\$809,919	93.596	\$424,000
<u>CFDA #</u>	<u>Amount</u>								
93.575	\$809,919								
93.596	\$424,000								
		Status:	Corrective action complete						
		Corrective Action:	<p>The Economic Services Administration (ESA) completed the following corrective actions:</p> <ul style="list-style-type: none">• The Division of Child Care and Early Learning (DCCEL) and the Community Services Division (CSD) issued a joint memo to regional management staff requiring the immediate implementation of the required supervisory reviews. Completed December 2002.• The DCCEL headquarters staff was directed to monitor the reviews on a monthly basis and provide routine reports on the compliance status of Community Service Office and Regional Office monitoring efforts to the Director of the CSD. Completed October 2002.• The ESA developed an enhanced supervisory review tool and provided statewide training to staff. Completed July 2003.• The CSD Director established supervisory child care case audits as one of nine performance issues to be monitored with Regional Administrators (RA). Issues of non-compliance are discussed with respective RA's during weekly phone calls designed to monitor regional performance. Completed February 2003.• The Department has established overpayment accounts for the costs in question. The overpayment accounts have been forwarded to the Finance Division for recovery. As funds are recovered, they are returned to the appropriate federal funding source.						
		Completion Date:	March 31, 2004						

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004**

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
02	9	<p>Finding: The Department of Social and Health Services, Economic Services Administration, is not in compliance with eligibility requirements for the Temporary Assistance to Needy Families (TANF) program.</p> <p>Questioned Costs: <u>CFDA #</u> 93.558 <u>Amount</u> \$10,106</p> <p>Status: Corrective action complete</p> <p>Corrective Action: The Economic Services Administration (ESA) completed the following corrective actions and has received a final federal Letter of Determination that indicated HHS was satisfied with the actions taken (Letter of November 24, 2003 from HHS Regional Administrator):</p> <ul style="list-style-type: none"> • The ESA issued a field memo in March 2003 regarding interface alerts and protocols. Completed March 2003. • The Automated Client Eligibility System (ACES) refresher-training curriculum was completed. This course has been made available to regions for use in basic financial worker training. Completed August 2003. • The ESA has been working with other state agencies (Department of Corrections, Department of Labor & Industries and the Employment Security Department) to establish interfaces to verify data provided by the clients. The ESA is continuing these conversations to promote establishment of formal interagency agreements. The Department was unable to implement an interface due to the constraints of current technology and available resources. • The HHS Letter of Determination stated the questioned costs totaling \$10,106 need not be returned because the findings did not constitute a violation of Federal law/regulations. As such, the state was not subject to penalty under TANF. <p>Completion Date: November 24, 2003</p>

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004**

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
02	11	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration, has not established sufficient internal controls to ensure compliance with Medicaid provisions.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778 <u>Amount</u> \$430,682</p> <p>Status: Corrective action in progress</p> <p>Corrective Action: The following provides an outline of Department of Social and Health Services (DSHS) and its Medical Assistance Administration (MAA) corrective action by condition:</p> <p>Condition A. Payments made for persons with invalid social security numbers or made on behalf of deceased individuals.</p> <ul style="list-style-type: none"> • The DSHS is evaluating the option of having the Automated Client Eligibility System produce quarterly Social Security number (SSN) reports for staff to perform a comprehensive review. Completed February 2005. • A field memo was sent to Regional Administrators, Community Service Office Administrators and Financial Supervisors by the directors of the Community Services Division, the Division of Employment and Assistance Programs, and the Information Technology Division requiring staff to verify SSNs in the State On-Line Query system at the time of application. In addition, staff received instruction to respond to all alerts regarding mismatches and errors on SSNs and/or names. Completed in March and May 2003. • The DSHS negotiated an interagency agreement with the state Department of Health (DOH) for data sharing. Completed April 2003. • The questioned costs identified in the audit were reviewed for validity. DSHS received verbal verification from CMS in 2002 that there was no federal requirement to return any funds identified as a result of this audit. Karen O'Connor, Assistant Regional Administrator, Region 10 CMS, confirmed in an email (April 17, 2003) that no recovery would be sought. <p>(Continued)</p>

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

**OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004**

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
02	11 (Cont'd)	<p>Corrective Action:</p> <p>Condition B. Basic Health (BH) Plus</p> <ul style="list-style-type: none"> • The DSHS has met with BH representatives to request that BH forward all changes in income level to MAA. Completed January 2003. • The MAA developed an annual eligibility review that will replace the BH Household change form process. The annual eligibility review will be required for continued BH plus eligibility. Completed January 2003. • The MAA developed a Job Operating Instructions manual to provide eligibility staff with detailed instructions on eligibility criteria. In addition, the MAA developed an audit plan, focusing on application/eligibility criteria. Completed January 2003. <p>Condition C. Provider Licensing</p> <p>The DSHS did not concur with this finding in either the Fiscal Year 01 or Fiscal Year 02 audits. The MAA received written verification from Karen O'Connor stating CMS, would not pursue the FY 02 overpayment. All questioned costs identified in the FY01 finding were determined to be unsubstantiated.</p> <p>Condition D. Provider Health and Safety Standards – Hospitals</p> <p>The MAA will establish procedures to be used when information is received from the DOH, the Aging and Disability Services Administration or other entities regarding compliance with health and safety standards. Estimated completion is set for June 2005.</p> <p>Condition E. Provider Health and Safety Standards – Nursing Homes</p> <p>The DSHS identified a more effective method of tracking the Denial of Payment Notice and implemented the method in November 2002.</p> <p>Completion Date: Estimated, June 2005</p>

State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004

Employment Security Department (ESD)

Fiscal Year	Finding Number	Finding and Corrective Action Plan																								
01	4	<p>Finding: The Employment Security Department did not comply with regulations for allowable and allocable costs for six of its federal programs.</p> <table> <tr> <td>Questioned Costs:</td><td><u>CFDA #</u></td><td><u>Amount</u></td></tr> <tr> <td></td><td>17.002</td><td>\$ 43,392</td></tr> <tr> <td></td><td>17.207</td><td>131,782</td></tr> <tr> <td></td><td>17.225</td><td>363,799</td></tr> <tr> <td></td><td>17.245</td><td>52,087</td></tr> <tr> <td></td><td>17.255</td><td>16,819</td></tr> <tr> <td></td><td>17.257</td><td><u>15,703</u></td></tr> <tr> <td></td><td>Total</td><td>\$623,582</td></tr> </table> <p>Status: Corrective action complete</p> <p>Corrective Action: The ESD re-issued time reporting guidelines to all management for all employees to follow. In addition, several management briefings were conducted statewide to ensure there is good understanding of proper time reporting practices and their underlying principles.</p> <p>The federal Department of Labor Grant Officer accepted the ESD proposed stand-in costs to satisfy the questioned costs of \$623,582 (documented in a final letter of determination dated August 8, 2003). In addition, the underlying time reporting issue has been resolved.</p> <p>Completion Date: June 30, 2004</p>	Questioned Costs:	<u>CFDA #</u>	<u>Amount</u>		17.002	\$ 43,392		17.207	131,782		17.225	363,799		17.245	52,087		17.255	16,819		17.257	<u>15,703</u>		Total	\$623,582
Questioned Costs:	<u>CFDA #</u>	<u>Amount</u>																								
	17.002	\$ 43,392																								
	17.207	131,782																								
	17.225	363,799																								
	17.245	52,087																								
	17.255	16,819																								
	17.257	<u>15,703</u>																								
	Total	\$623,582																								

**State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004**

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

***OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004***

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
01	12	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration (MAA), has not established sufficient internal controls to ensure compliance with Medicaid provisions regarding licensing and other eligibility criteria for its health care providers.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778 <u>Amount</u> \$9,837,143</p> <p>Status: Corrective action complete</p> <p>Corrective Action: The MAA has completed the following corrective action:</p> <ul style="list-style-type: none"> • A new Core Provider Agreement (CPA) was approved and is now used with all new providers. • The MAA reviewed its procedures and controls with a Centers for Medicare and Medicaid Services (CMS) representative and CMS concluded that adequate controls were in place and operating effectively. <p>The DSHS received written verification from John Lynch, Region 10 CMS, Auditor, stating CMS would not require the state return any Federal funds because the review of this item concluded adequate controls were in place and the questioned costs were not substantiated.</p> <p>Completion Date: March 30, 2003</p>

State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
01	13	<p>Finding: The Department of Social and Health Services, Medical Assistance Administration (MAA), has not established sufficient internal controls to ensure compliance with Medicaid provisions regarding recipient eligibility for health care services.</p> <p>Questioned Costs: <u>CFDA #</u> 93.778 <u>Amount</u> \$27,645</p> <p>Status: Corrective action complete</p> <p>Corrective Action: The DSHS received notification from Centers for Medicare and Medicaid Systems, in April 2003, stating the federal agency would not pursue finding 01-13 for ineligibles found and the associated costs identified.</p> <p>Completion Date: April 30, 2003</p>	

State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
01	16	<p>Finding: The Department of Social and Health Services, Vocational Rehabilitation Program (DVR), did not comply with federal regulations regarding client eligibility and allowable costs.</p> <p>Questioned Costs: <u>CFDA #</u> 84.126 <u>Amount</u> \$25,235</p> <p>Status: Corrective action complete</p> <p>Corrective Action: Finding 01-16 (a) - Strengthen training on eligibility determinations The finding dates back to an eligibility decision made in 1997. Actions taken since include: <ul style="list-style-type: none"> • In November 1998, the DVR provided extensive training to all staff focused on eligibility determinations. • The DVR also revised policies and updated its case services manual to reflect current standards and procedures for conducting an assessment to determine eligibility and significance of disability. • The DVR also strengthened its eligibility training for new counselors. Finding 01-16 (b) – Improve documentation of identification and legal work status Rehabilitation Academy training (in-service staff training) has been enhanced in the areas of identity and work status documentation. Finding 01-16 (c) – Strengthen procedures and revise manual to address client travel costs <ul style="list-style-type: none"> • The DVR updated its case services manual to clarify the circumstances under which receipts are required for reimbursement. The update was released on November 1, 2004 • The DVR restated, to the Department of Education, Rehabilitation Service Administration (RSA), its opposition to requiring gas receipts or mileage logs as unnecessary paperwork with marginal value. In a program determination letter, dated November 7, 2002, the RSA, chose not to sustain the questioned costs related to this finding.</p> <p>Completion Date: November 1, 2004.</p>

State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004

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OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan									
01	17	<p>Finding: The State of Washington is not complying with subrecipient monitoring requirements for some of the federal programs it administers.</p> <p><u>Department of Social and Health Services (DSHS)</u></p> <table> <tr> <td>Questioned Costs:</td><td><u>CFDA #</u></td><td><u>Amount</u></td></tr> <tr> <td></td><td>93.563</td><td>\$0</td></tr> <tr> <td></td><td>93.778</td><td>\$0</td></tr> </table> <p>Status: Corrective action in progress</p> <p>Corrective Action: The DSHS established an accounting policy board that reviewed this issue. DSHS Central Contract Services has taken the following actions to address this finding:</p> <ul style="list-style-type: none"> Published a new agency policy for identifying and managing subrecipient awards and agreements, effective as of April 15, 2005. Published revisions to agency-wide policy for monitoring the performance of contractors, including mandatory use of the Agency Contracts Database to record monitoring activities. Effective January 1, 2005 Revised its existing agency-wide training on monitoring the performance of contractors. Placed a list of best practices for monitoring on its intranet website, which include forms (templates). <p>The accounting policy board is now developing subrecipient monitoring procedures that all agency programs will follow. Estimated completion, June 2005.</p> <p>Completion Date: Estimated, June 2005</p>	Questioned Costs:	<u>CFDA #</u>	<u>Amount</u>		93.563	\$0		93.778	\$0
Questioned Costs:	<u>CFDA #</u>	<u>Amount</u>									
	93.563	\$0									
	93.778	\$0									

State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004

(This schedule only addresses findings previously reported that would be reportable under the revised OMB Circular A-133.)

OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004

Employment Security Department (ESD)

Fiscal Year	Finding Number	Finding and Corrective Action Plan											
00	6	Finding:	The Employment Security Department did not comply with regulations for allowable and allocable costs for the Unemployment Insurance, Wagner-Peyser and WorkFirst programs.										
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>17.207</td><td>\$195,689</td></tr><tr><td>17.225</td><td>511,904</td></tr><tr><td>93.558</td><td><u>64,518</u></td></tr><tr><td>Total</td><td>\$772,111</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	17.207	\$195,689	17.225	511,904	93.558	<u>64,518</u>	Total	\$772,111
<u>CFDA #</u>	<u>Amount</u>												
17.207	\$195,689												
17.225	511,904												
93.558	<u>64,518</u>												
Total	\$772,111												
		Status:	Corrective action complete										
		Corrective Action:	<p>At the request of the federal Health and Human Services Department (HHS), additional supporting information regarding the five positions charged to the WorkFirst program was provided on November 7, 2001. The documentation satisfied HHS and the \$64,518 was removed from questioned status (Letter of Determination dated February 28, 2002). The remaining questioned costs of \$707,593 were removed when the Department of Labor accepted stand-in costs proposed by the ESD (Final Letter of Determination, August 8, 2003).</p> <p>The ESD re-issued time reporting guidelines to all management for all employees to follow. Several management briefings were conducted statewide to ensure there is good understanding of proper time reporting practices and their underlying principles. In addition, the underlying time reporting issue has been resolved.</p>										
		Completion Date:	June 30, 2004										

State of Washington
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2004

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OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2004

Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan		
00	12	Finding:	The State of Washington is not complying with subrecipient monitoring requirements for some of the federal programs it administers.	
		Questioned Costs:	<u>CFDA #</u> 93.563 93.778	<u>Amount</u> \$0 \$0
		Status:	Corrective action in progress	
		Corrective Action:	Refer to 01-17	
		Completion Date:	Estimated, June 2005	

